

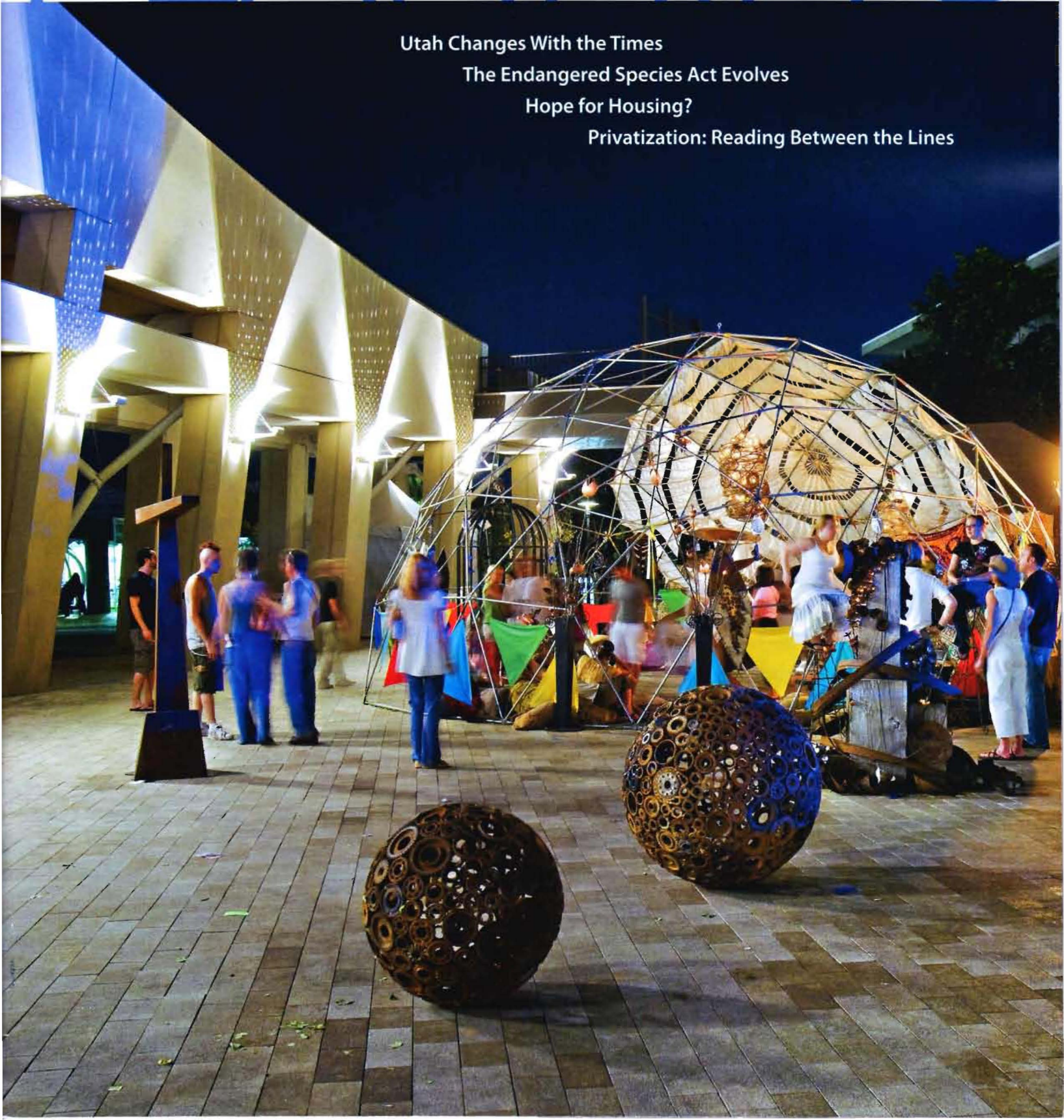
PLANNING

Utah Changes With the Times

The Endangered Species Act Evolves

Hope for Housing?

Privatization: Reading Between the Lines



Hope for Housing?

By Greg Flisram

Truth be told, most housing developers would probably rather talk golf than business these days. In fact, many of them have been spending more time on the links than doing deals. Still, contrary to popular belief, housing construction has not come to a complete halt in the U.S. Amid the carnage of the burst housing bubble, some emerging trends—in new home construction and demographics—should make planners happy. Other trends may cause even wild-cat developers to shake their heads.

Overall numbers still don't look particularly good. According to the National Association of Home Builders, new single-family housing starts last year were at a 50-year low (445,000), and multifamily starts, once a perennial standby of the housing industry, are expected to drop by another 18 percent during 2010 to a mere 93,000 units. And while the NAHB sees single-family starts rebounding slightly to 552,000 in 2010, others, including the major mortgage lender and servicer Deutsche Bank, predict that as many as two-fifths of all home mortgage holders will be underwater by the end of the year as prices continue to fall.

Finally, many economists predict new waves of foreclosures as unemployment remains stubbornly high and banks get caught up in a backlog of foreclosure filings.

All of these factors are intertwined. The epidemic of foreclosures has flooded the market with existing homes, driving prices down and creating record high housing vacancies (14.2 percent as of the first quarter of this year). Joblessness has restricted the formation of new households. Tight credit has made mortgages harder to come by and choked off construction lending.

Further, the expiration on April 30 of the first-time home buyers tax credit killed the momentum built up in March and April. Sales of new homes dropped by one-third after the expiration—the largest such decrease on record. Sales of both new and existing housing continue to lag despite record low mortgage rates and severely depressed prices. It's a wonder that anything is getting built at all.

Bright spots

Amid all the gloom and doom, it can be easy to overlook the bright spots. But a number of economically diverse metropolitan areas are doing quite well. Several Texas cities—Houston, Dallas-Fort Worth, Austin—continue to build, thanks to steady progress in the energy, education, medical, and technology sectors.

North Dakota has seen a healthy num-

Why small houses—and city apartments—are doing a bit better than bigger, more expensive units.



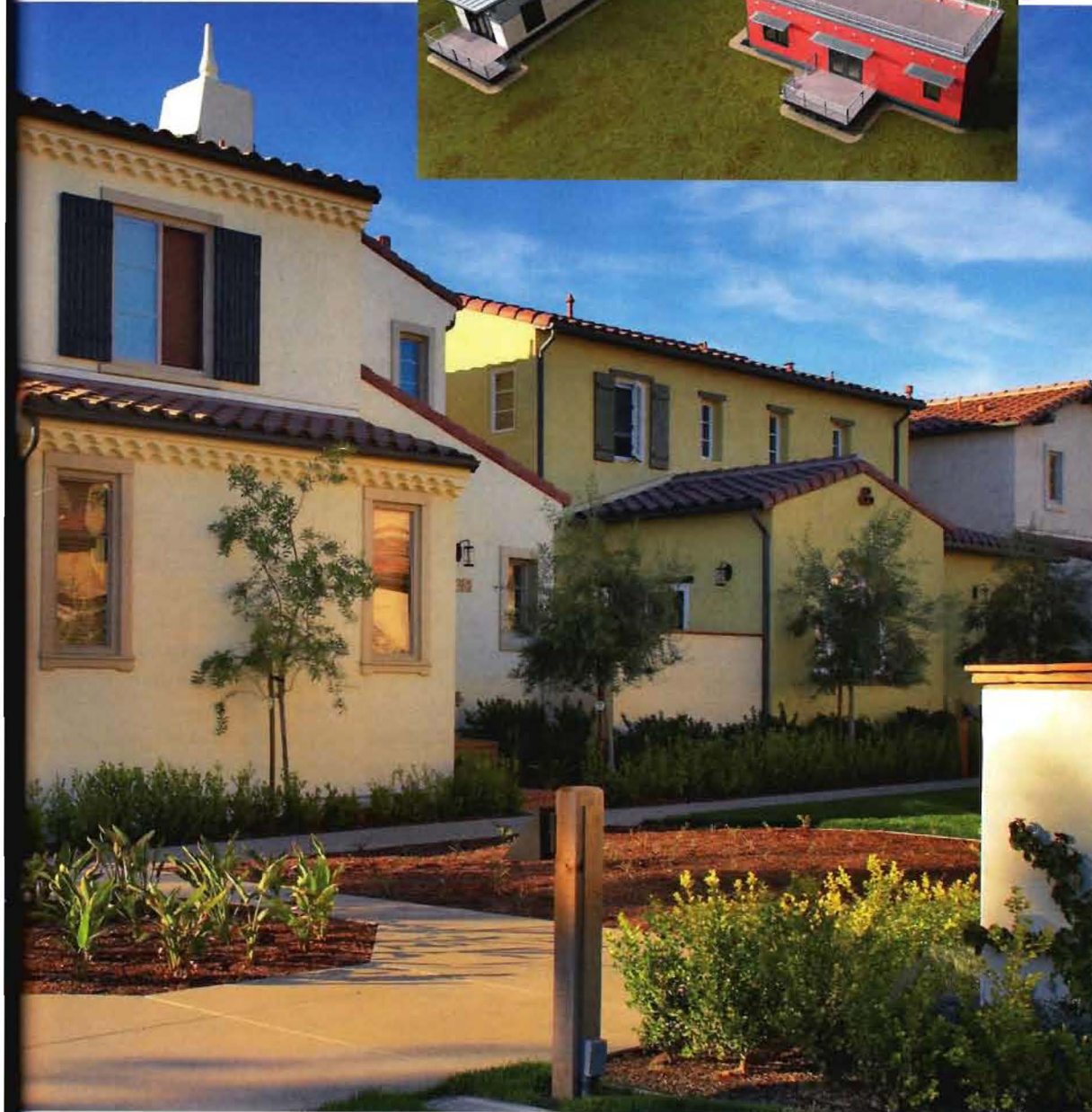
ber of new housing starts, fueled by its rapidly growing oil industry. So has Pittsburgh, which has transformed itself into a center of technology, medicine, and specialized engineering. Generally speaking, state capitals and university towns are doing better than average, buoyed by major institutional employment.

According to the Joint Center for Housing Studies of Harvard University, the fall-



Clayton House (claytonhouse.com)

The Encanato project, affordable, detached housing on an infill site in San Jose, won a 2009 Gold Nugget award for its site plan. Inset: The modular, 1,023-square-foot i-house II and two “flex” units (rendering) are under way in southern Louisiana. The builder, Clayton Homes, is a subsidiary of Warren Buffett’s firm.



off of housing demand caused by record vacancies and underemployment has caused the inventory of new housing to fall to a 40-year low. Industry experts say that new home construction could pick up quickly in the event of even a minor economic uptick or, more slowly, through population increase. Latent demand for new housing, the experts say, exists even in some of the nation’s most depressed communities.

Less is definitely more

Although economists don’t always agree on the numbers, industry experts do concur that housing is getting back to basics. Although it may be too soon to declare the end of the McMansion era, smaller, lower maintenance homes that appeal to first-time buyers are selling the fastest, according to Steve Melman, NAHB’s director of economic services.

Even after the expiration of the \$8,000 first-time-buyer tax credit, “there is a growing realization among all buyers that luxury features such as in-home theaters and hardly used great rooms don’t burnish resale value as much as fundamentals such as walk-in closets, quality neighborhoods, and good schools,” Melman says.

He also notes that Generation Y is entering the prime home-buying years with